

Internal Revenue Service  
P.O. Box 2508  
Cincinnati, OH 45201

Department of the Treasury

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Date: October 25, 2011

Employer Identification Number:

Contact Person - ID Number:

Contact Telephone:

LEGEND

r = dollar amount  
s = dollar amount  
T = state  
U = state  
V = state  
W = state  
X = scholarship  
Y = grant

UIL

4945.04-04

Dear

We have considered your request for advance approval of your grant-making program under section 4945(g)(1) of the Internal Revenue Code, dated May 12, 2011.

Our records indicate that you are recognized as exempt from federal income tax under section 501(c)(3) of the Code and that you are classified as a private foundation as defined in section 509(a).

You will operate grant-making programs called X and Y. The purpose of your X program is to award funds to qualified students from the rural areas of T, U, V and W attending an accredited two or four-year college, university, trade school, technical school or similar post-high school institution. The purpose of your Y program is to award funds to qualified educators from the rural areas of T, U, V and W working to complete a Master's or higher degree in education.

Under your X program, the amounts of the awards will vary and will be determined on a case-by-case basis. The X program will primarily be publicized through notices to local high schools. Each year application forms are made available to the counselor(s) at each high school. Two letters of recommendation must accompany the completed application from members of the community who are not related to the applicant. The application and two recommendation letters will be returned to a designated member of the faculty who will complete a short questionnaire regarding the applicant and then return the package to your office. The X recipient is chosen by your Selection Committee, which is appointed annually by your Chairman of the Board. The recipients of X will be selected no later than May 1st of each year. The applicants of your X program must be involved in community service, must demonstrate academic achievement, financial need and a commitment to succeed. The applicants may either be a senior graduating from high school or a student already enrolled in a two- or four-year college, university, trade school, technical school or similar post-high school institution. To be eligible, the applicants must also be living in or have spent the majority of their lives in the area of each school system supported by T, U, V and W (defined as an area within a fifty mile radius thereof). The X is not to exceed the award amount for payment of the recipient's tuition, fees, books, dormitory and

campus dining expenses for one year at an accredited college, university, proprietary or trade school. The X funds must be paid directly to the recipient's school. The recipients will be expected to maintain a minimum of 3.0 GPA throughout their scholarship year and to make written reports of their progress to you at the end of each school term. You monitor the use of the X funds by requiring each recipient to provide an official copy of the student's transcript to you prior to the next semester's funding. Any student failing to maintain a 3.0 grade point average ("GPA") for two consecutive semesters is reported to your Director and Grant Coordinator. The X will be in jeopardy if a student falls below a 3.0 for two consecutive semesters without written explanation. If the student's GPA does not improve to the required 3.0 by the following semester, such student's scholarship is suspended. Official school transcripts showing the students' grades and grade point averages are required before you will fund your share of the next school term expenses. You also request that the student's school of choice bill you directly with any bills or fees charged to them.

Under the X program you intend on offering one r dollars and two s dollars scholarships per school year, to cover certain educational expenses at an accredited college, university, proprietary or trade school. Each scholarship under your X program will be subject to your annual review and approval of the recipients' academic record and other relevant information.

The Selection Committee for X will have three unrelated members. At no time will any relative of your X Selection Committee or any other members of the Board of Directors be eligible for an X award. The approximate number of individuals that are eligible to apply annually is between 90 and 100 students. You award an average of ten scholarships each year. The scholarship funds are paid directly to the recipient student's designated school of choice for authorized and documented bills or fees. The recipients of X receive the Scholarship and Educator's Grant Terms of Award sheet, which such recipient signs and returns to you. If there were an allegation of misuse of X and/or Y funds, you would investigate and work with the designated school of choice to resolve the issue and seek recovery of the misused funds.

Additionally, the recipient's school of choice is notified and must agree that all scholarship funds are to be used for the recipient's tuition and related school expenses and that no money should be returned or refunded directly to the student under any circumstances. The recipient's school of choice understands that unused funds should be refunded to you for placement back to the student's account.

You provide Y awards to qualified persons working to complete a Master's or higher degree in education. Each Y award is subject to your annual review and approval of the recipient's academic record and other relevant information. You usually offer one r dollars grant annually to be used for the professional development of educators (teachers) who intend to further their studies in the profession in pursuit of a Master's degree or higher degree in education.

Your selection procedures under the Y program parallel those applied in the X program. However, the eligibility in the Y program is limited to those individuals working to complete a Master's or higher degree in education. Any teacher who would like to be considered may apply in writing. The applicants for Y must include a letter detailing why they are in need of financial support, their goals and specific interests within the field of education and any other information they desire the Y Selection Committee to know. The applicants of Y program must also include documentation that would help with your selection process. Such documents may consist of high school and college transcripts, a statement of current financial situation, letters of reference, etc. The application deadline for Y program is April 15 of each year. Your Y Selection Committee will select one educator from the area to be notified by June 1 of each year.

You signed a written statement to acknowledge and agree to continue to maintain records that include: (1) Information used to evaluate the qualifications of potential grantees; (2) Identification of the grantees (including any relationship of any grantee to you), the amount and purpose of

each grant; and (3) All grantee reports and other follow-up data obtained in administering the your X and Y grant-making programs.

Sections 4945(a) and (b) of the Code impose certain excise taxes on "taxable expenditures" made by a private foundation.

Section 4945(d)(3) of the Code provides that the term "taxable expenditure" means any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of subsection (g).

Section 4945(g) of the Code provides that section 4945(d)(3) shall not apply to individual grants awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance if it is demonstrated that:

- (1) The grant constitutes a scholarship or fellowship grant which is subject to the provisions of section 117(a) (as in effect on the day before the date of the enactment of the Tax Reform Act of 1986) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii);
- (2) The grant constitutes a prize or award which is subject to the provisions of section 74(b), if the recipient of such prize or award is selected from the general public, or
- (3) The purpose of the grant is to achieve a specific objective, produce a report or similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee.

Section 53.4945-4(c)(1) of the Regulations provides that to secure approval, a private foundation must demonstrate that:

- (i) Its grant procedure includes an objective and nondiscriminatory selection process;
- (ii) Such procedure is reasonably calculated to result in performance by grantees of the activities that the grants are intended to finance; and
- (iii) The foundation plans to obtain reports to determine whether the grantees performed activities that the grants are intended to finance.

Based on the information submitted and assuming your award programs will be conducted as proposed, with a view to providing objectivity and nondiscrimination in making the awards, we have determined that your procedures for granting the awards comply with the requirements contained in section 4945(g) of the Code and that awards granted in accordance with such procedures will not constitute "taxable expenditures" within the meaning of section 4945(d)(3).

In addition, we have determined that awards made under your procedures are 'scholarship or fellowship' grants within the meaning of sections 4945(g)(1) and 117 of the Code, and are excludable from the gross income of the recipients subject to the limitations provided in section 117(b) of the Code, including to the extent that such grants are used for qualified tuition and related expenses within the meaning of section 117(b)(2) of the Code.

This determination is conditioned on the understanding that there will be no material change in the facts upon which it is based. It is further conditioned on the premise that no grants will be

awarded to foundation managers, or members of the selection committee, or for a purpose that is inconsistent with the purpose described in section 170(c)(2)(B) of the Code.

The approval of your award program procedures herein constitutes a one-time approval of your system standards and procedures designed to result in awards which meet the requirements of sections 4945(g)(1) and 4945(g)(3) of the Code. This determination only covers the grant programs described above. Thus, approval shall apply to subsequent award programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request.

Any funds you distribute to individuals must be made on a true charitable basis in furtherance of the purposes for which you are organized. Therefore, you should maintain adequate records and case histories so that any or all award distributions can be substantiated upon request by the Internal Revenue Service.

This determination is directed only to the organization that requested it. Section 6110(k)(3) of the Code provides that it may not be used or cited as a precedent.

You must report any future changes in your grant making procedures. Please keep a copy of this letter in your permanent records.

We have sent a copy of this letter to your representative as indicated in your power of attorney.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

Lois G. Lerner  
Director, Exempt Organizations

Enclosure: